



# A Divided Ireland

Debt & Commitments Impede a Consumer Led Recovery

Consumer Mood Monitor  
June 2014



## A Divided Ireland - Summary

- Most consumers believe an economic recovery is in place, and the future outlook for the Irish economy has improved further.
- In spite of this wide spread belief that the economic recovery is here, many consumers do not currently feel any personal benefits from this recovery.
- The country is therefore divided in terms of financial situation with more than 1 in 4 struggling to make ends meet while 1 in 3 are living comfortably.
- This new divide is not one between rich and poor, but rather between those with or without debt and commitments. As such the youngest and oldest segments of society are better off and benefiting most, while those in the squeezed middle are most likely to be struggling.
- While future spend intentions continue to improve, this sentiment is only apparent for 20% of consumers, and a consumer led spend recovery will need to overcome the burden of debt and fears of job security in order for it to materialise.



## Consumer Mood - Headline Facts

✓ **69%** believe recovery is underway in Ireland

✓ **52%** believe the Irish economy will improve next 6 months

**BUT**

✓ **28%** of consumer are still struggling to make ends meet

✓ **62%** of consumers do NOT believe the recovery is benefiting them personally

✓ **14%** of consumers appear to be “Desperate”, struggling with no light at the end of the tunnel

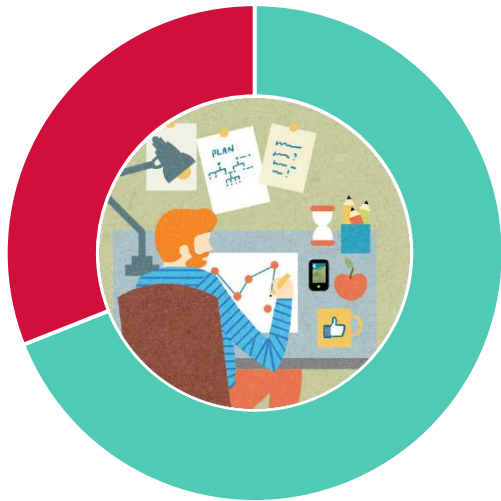
✓ **22%** cite job security & redundancy as main reason for caution

✓ **20%** claim they will spend more on goods & services in next 6 months, but these are the youngest and oldest in society



# Most consumers believe the Economic Recovery in Ireland is underway and will improve in the next 6 Months

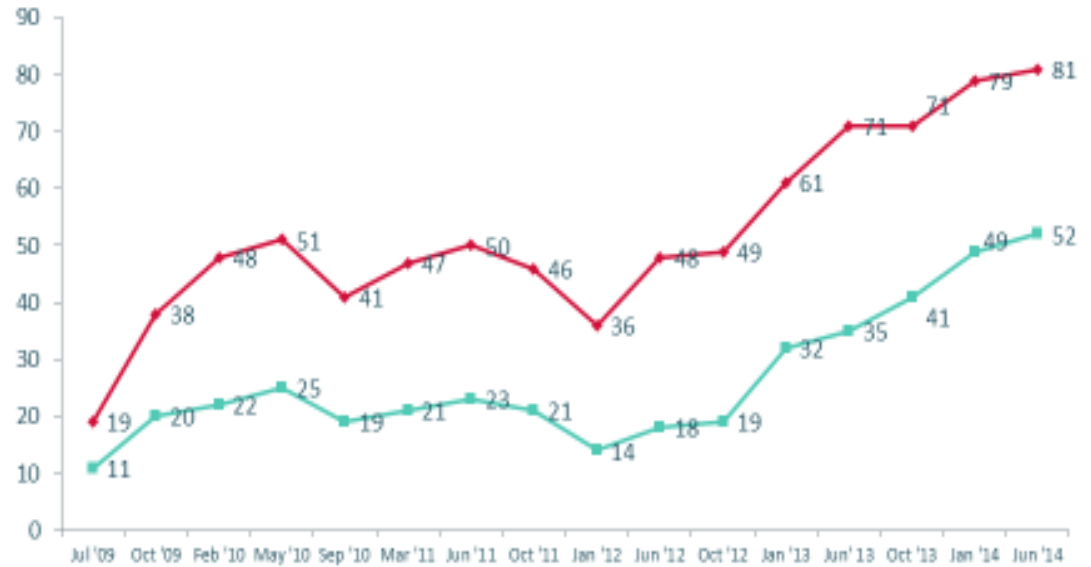
## Economic Recovery Underway?



## How do you expect the Irish economy to fare in the next 6 months?

% NET Better/Same  
(next 6 months)

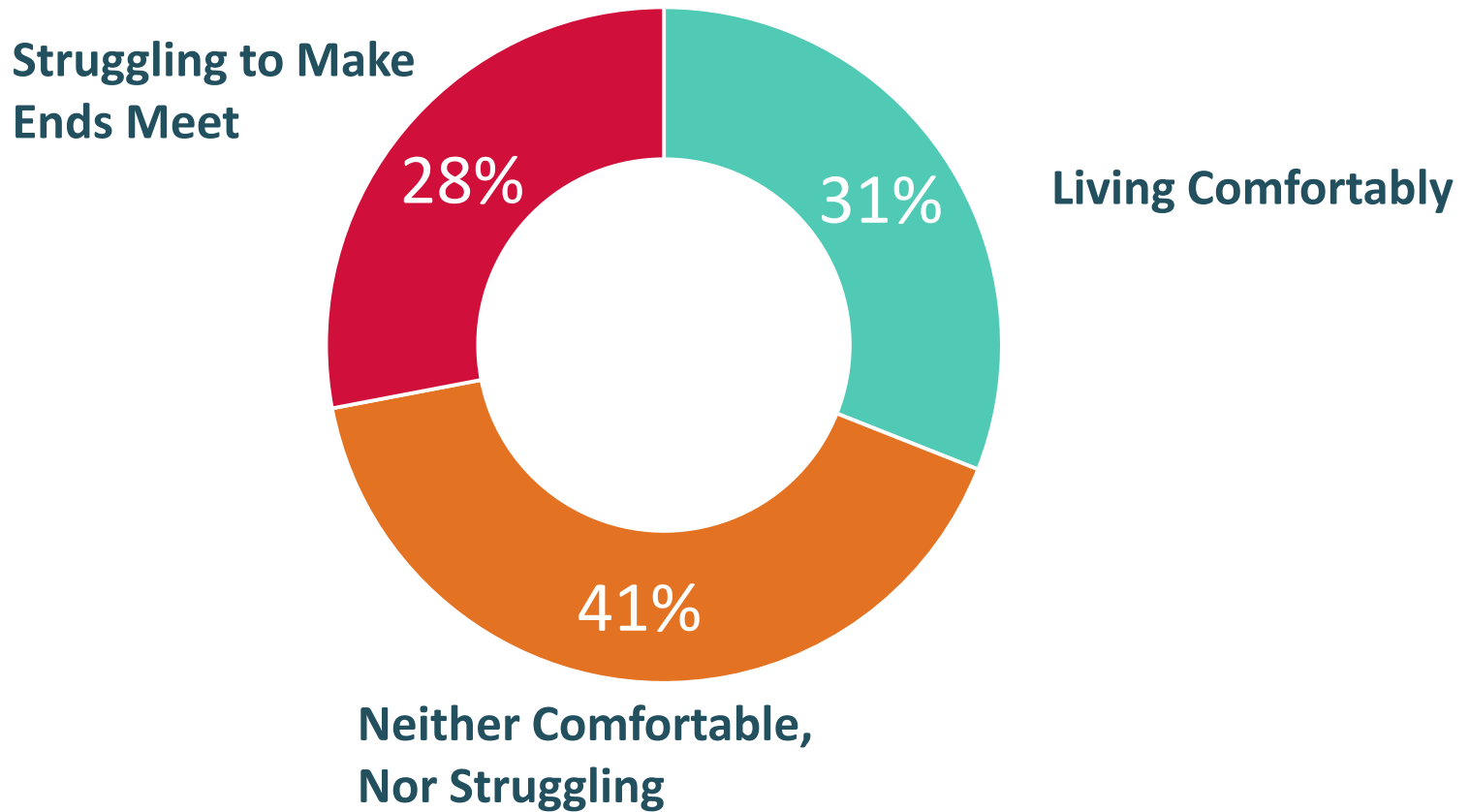
— NET Better/Same — Better





**However  
more than 1 in  
4 still struggle  
to make ends  
meet**

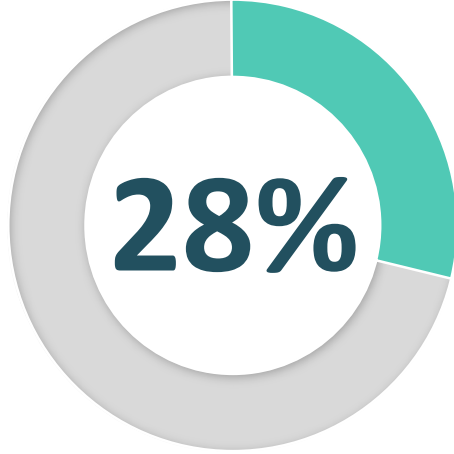
# Which of the Following Best Describes your Current Financial Situation...?



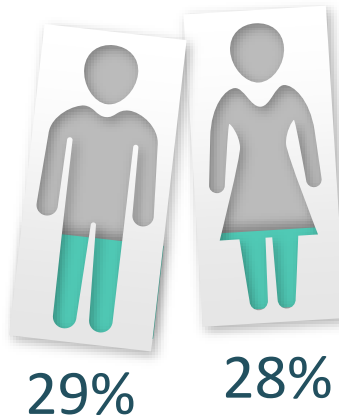
More than 1 in 4 struggle to make ends meet. 1 in 3 Irish feel comfortable about their financial situation.

# Who are Struggling to Make Ends Meet?

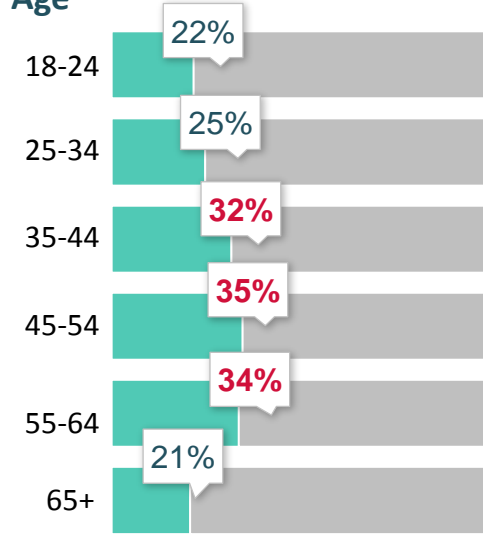
Total – 1 in 4 struggle to make ends meet



## Gender



## Age



## Social Class

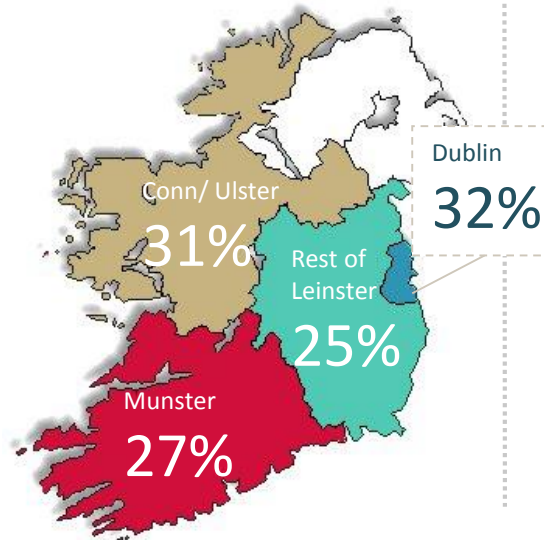
Higher Social Grades: 24%



Lower Social Grades: 34%

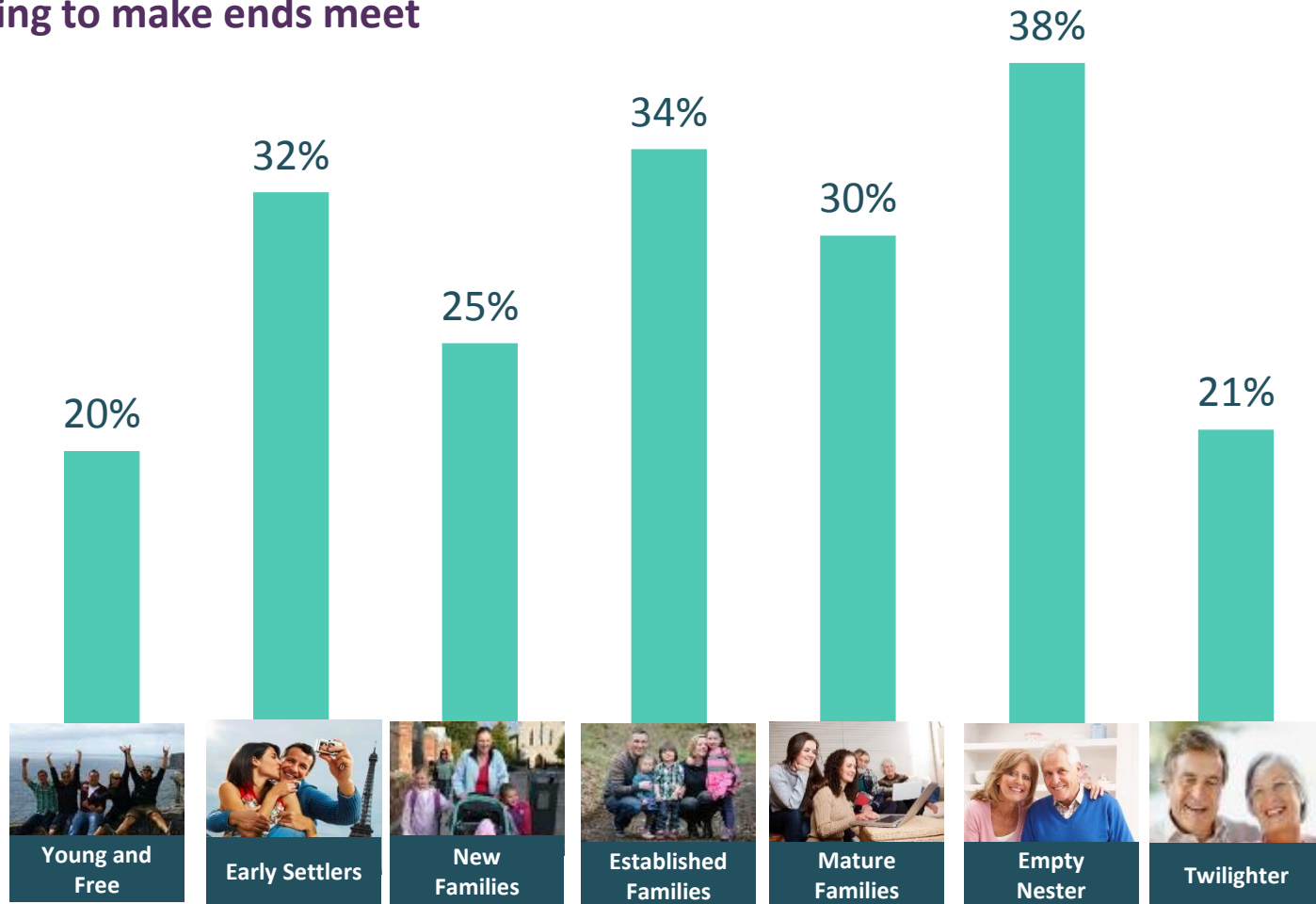


## Region



# Who is struggling to make ends meet?

% Struggling to make ends meet



Early settlers, established families and empty nesters are more likely to struggle to make ends meet.

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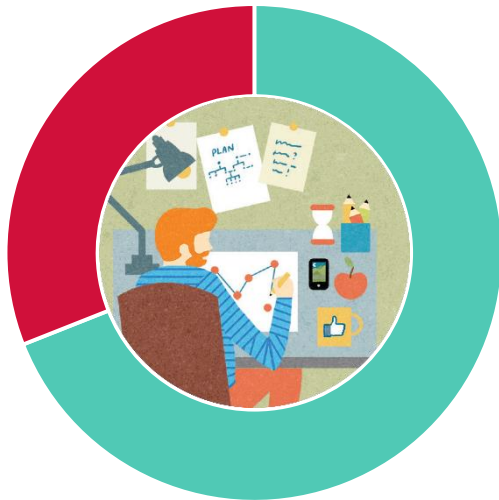


**In spite of  
widespread belief  
that the economy is  
recovering, many do  
not feel the impact  
of this personally**



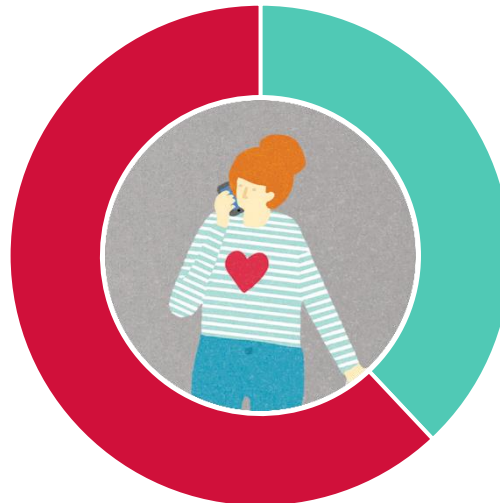
# Do you believe that an Economic Recovery in Ireland is...?

Underway



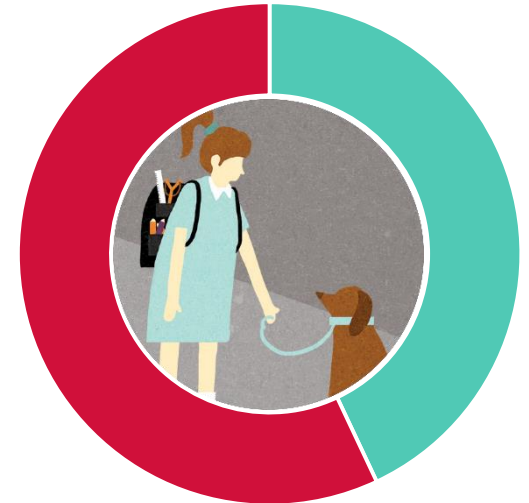
69%

Benefitting  
You Personally



38%

Set to Make  
Next Generation  
Better Off



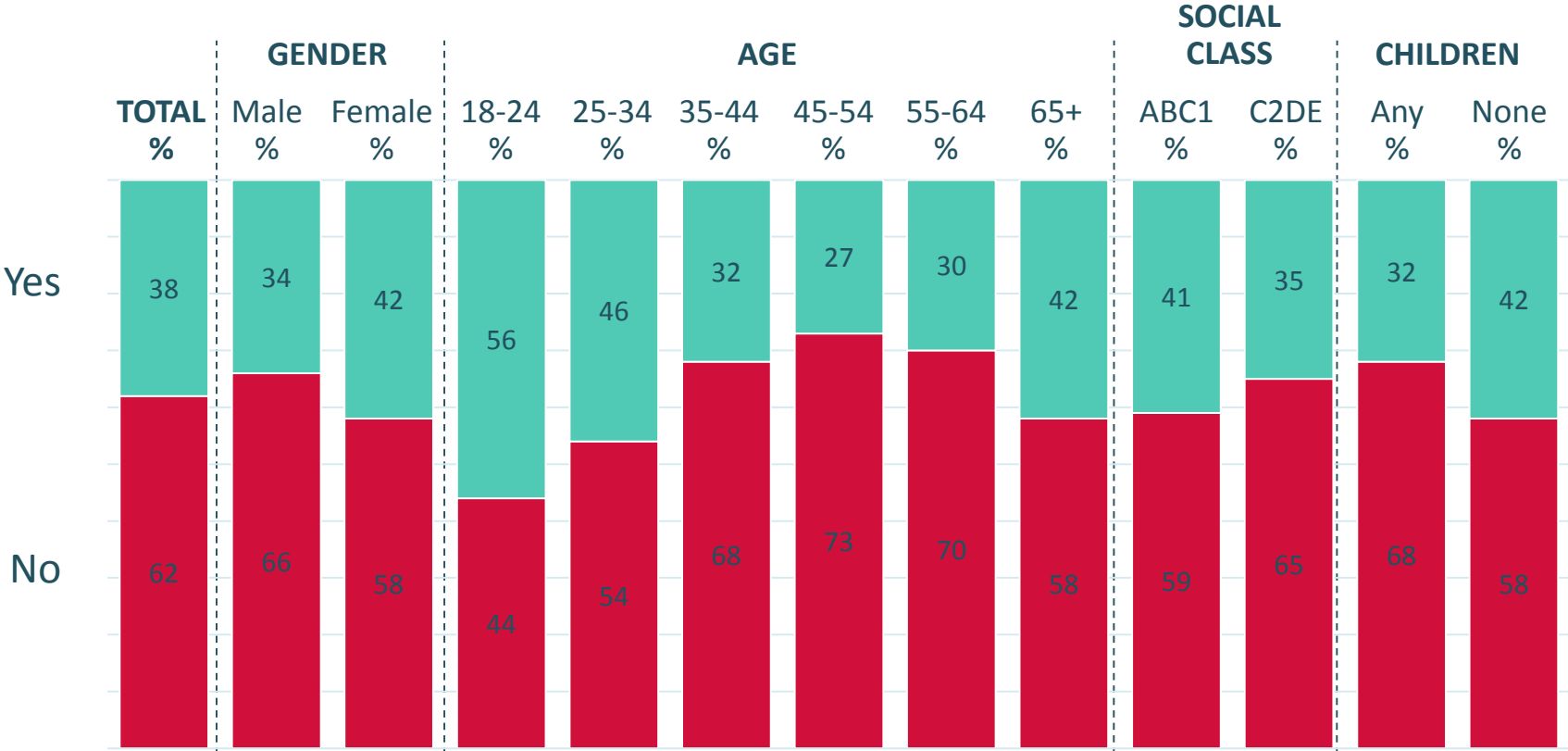
43%

Only half of those (55%) who believe the Irish economy is recovering feel that they are benefitting from this recovery personally!

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# Ireland's Economic Recovery Benefitting You Personally?

% Stating Yes or No

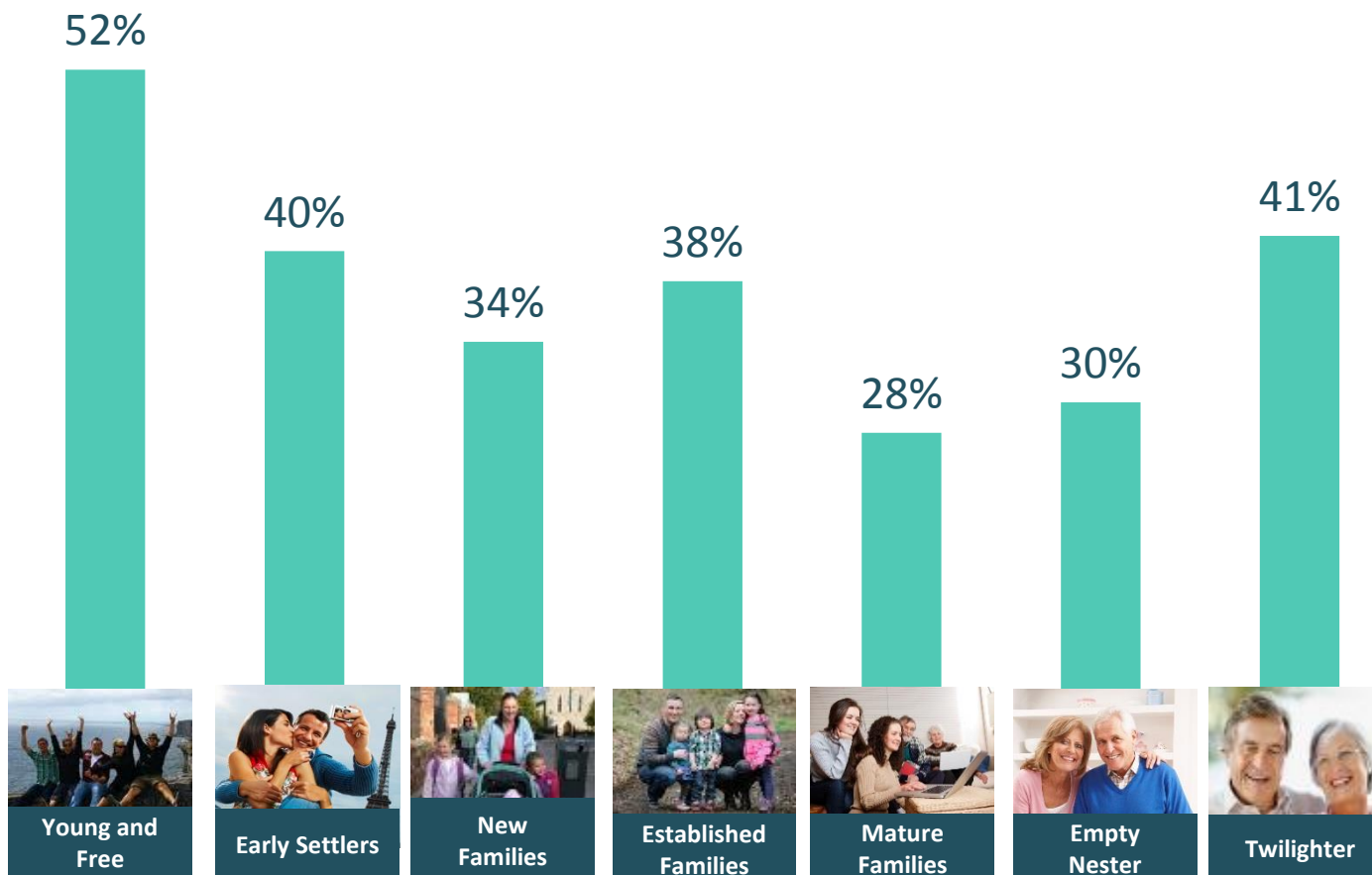


The 35-64 year olds and lower social classes are least likely to feel that the recovery has benefitted them personally.



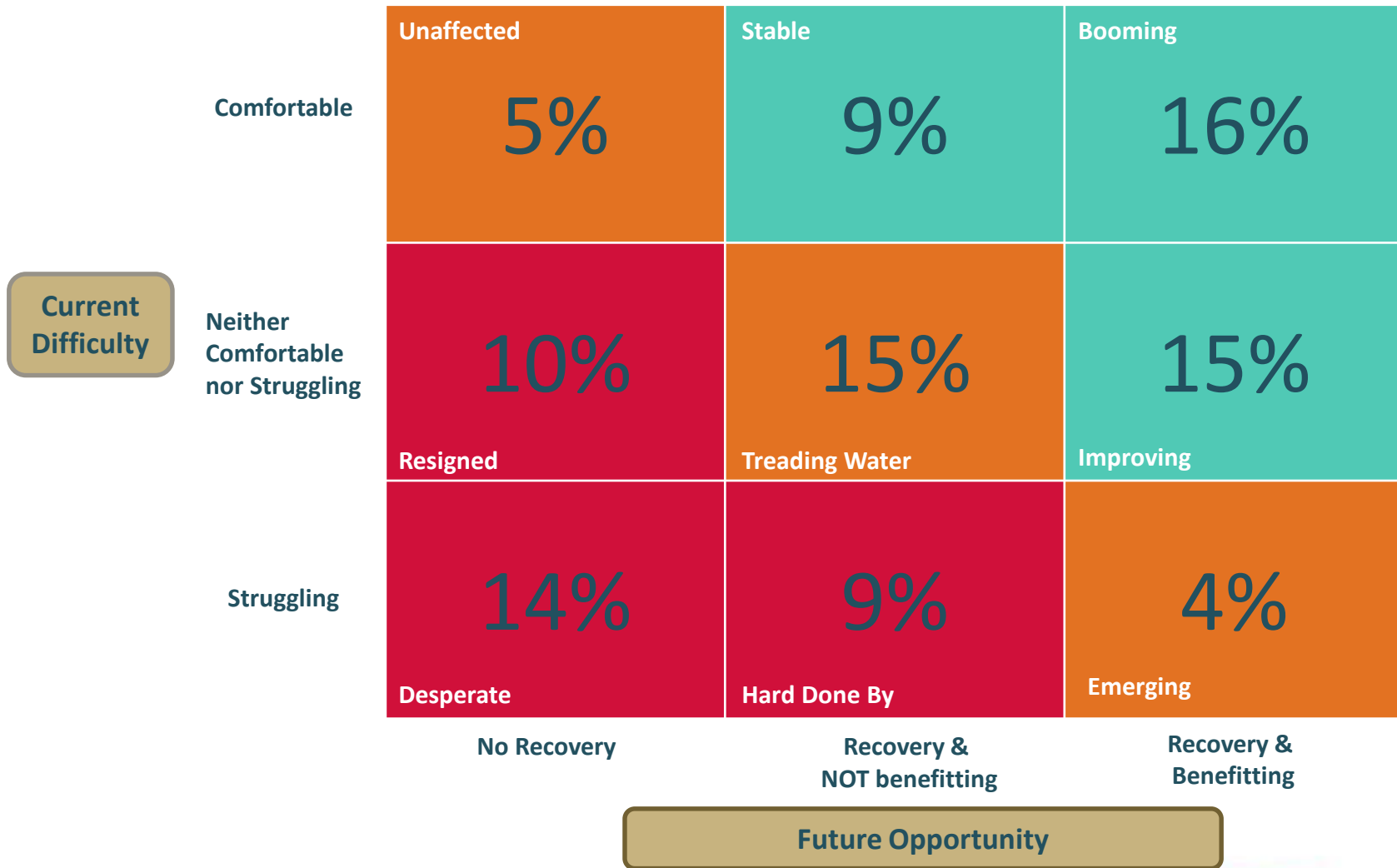
# Personal benefits of recovery by life stage...

% Stating Yes



Pre-families are most likely to feel the benefits of the recovery while mature families and empty nesters are the least likely.

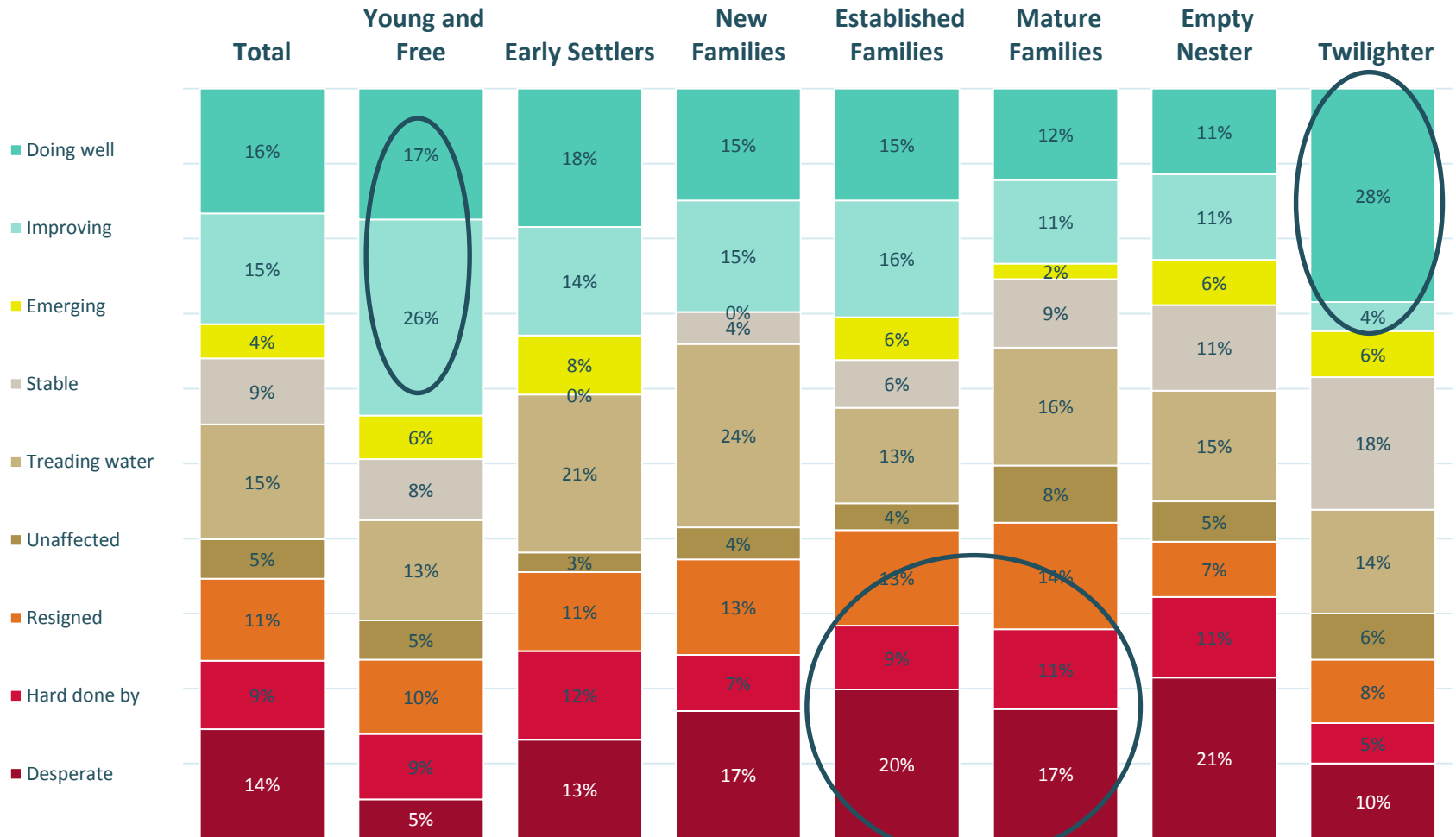
# Relationship between Economic Situation and Impact of Recovery



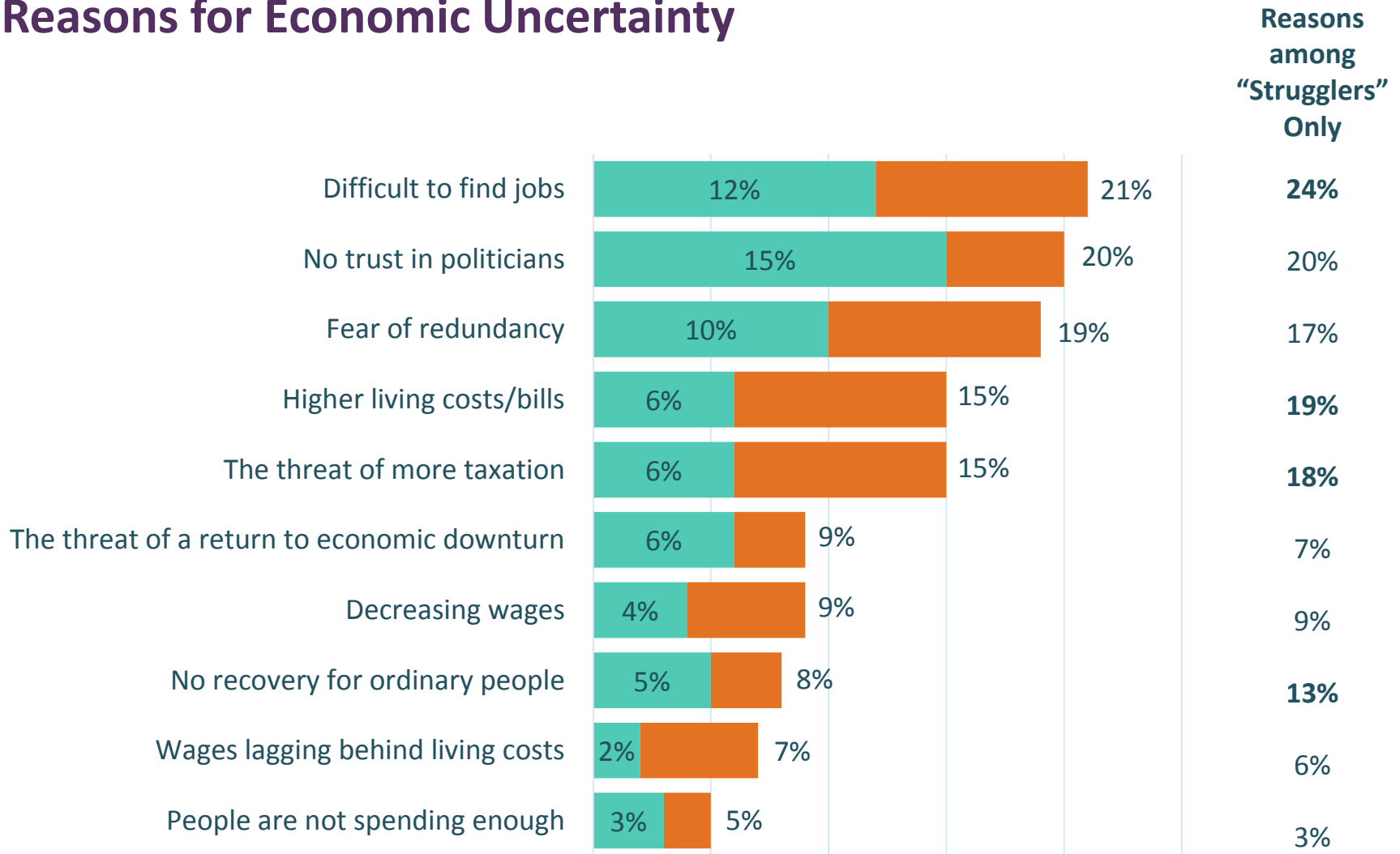
14% of the population is struggling financially and do not believe in the recovery while additional 9% strugglers believe in the recovery but not for them! 25% are well off and believe in the recovery.



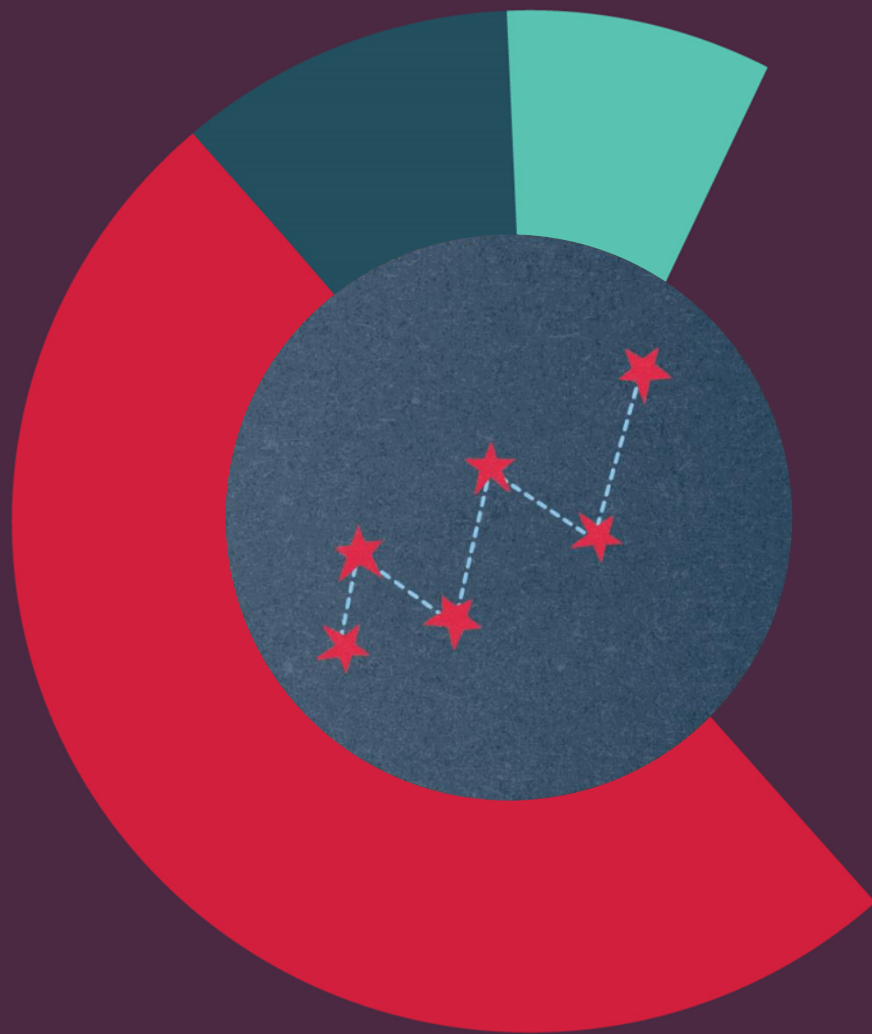
# Established/mature families are more likely to struggle financially/feeling left behind...



# Reasons for Economic Uncertainty



The causes of continuous economic uncertainty are unemployment/fear of unemployment, mistrust in politicians' management of economy, higher living costs and taxation.

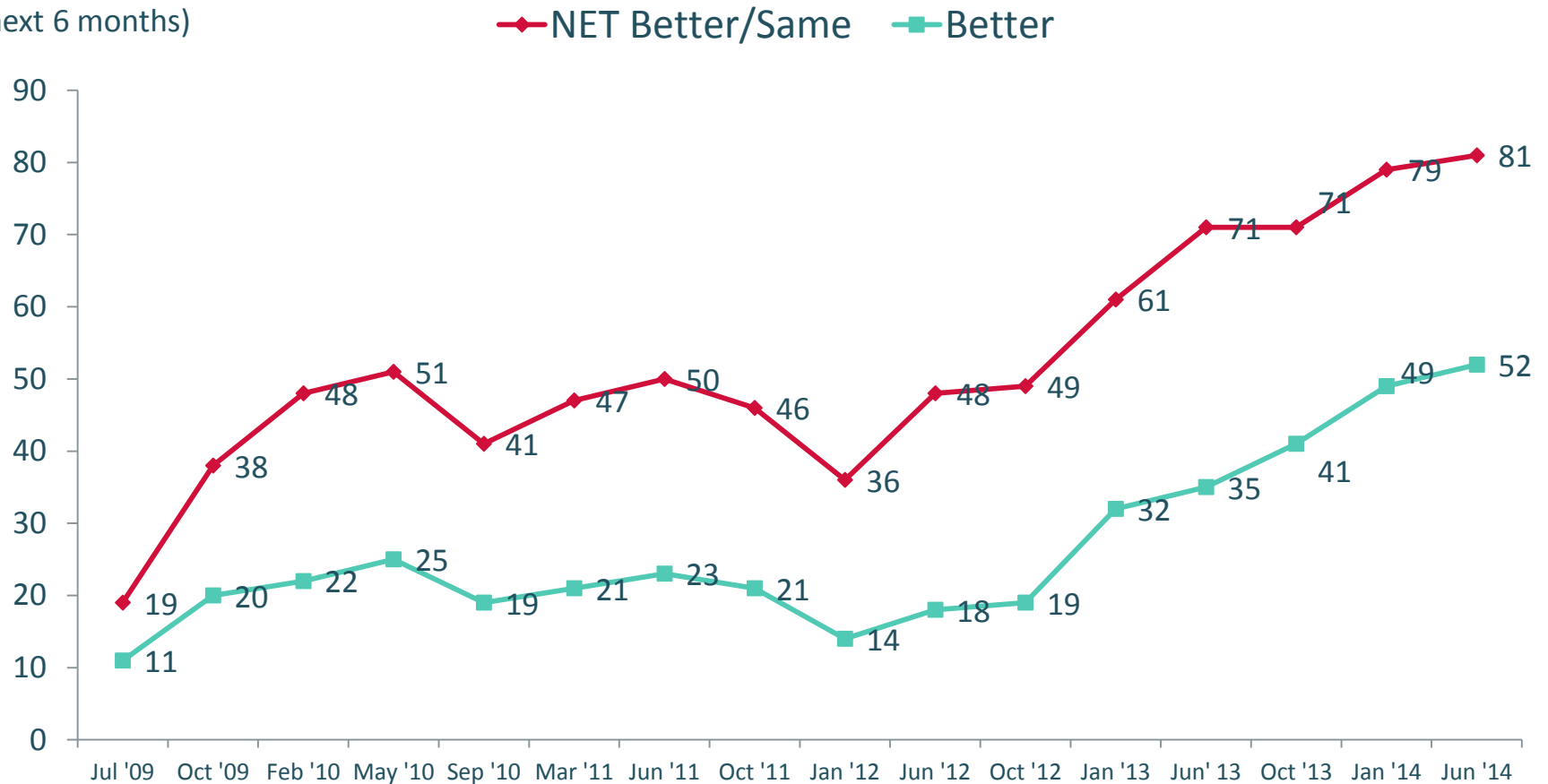


**There is further improvement in outlook for the economy but at a lower pace than seen back in January**



# How do you expect the Irish economy to fare in the next 6 months?

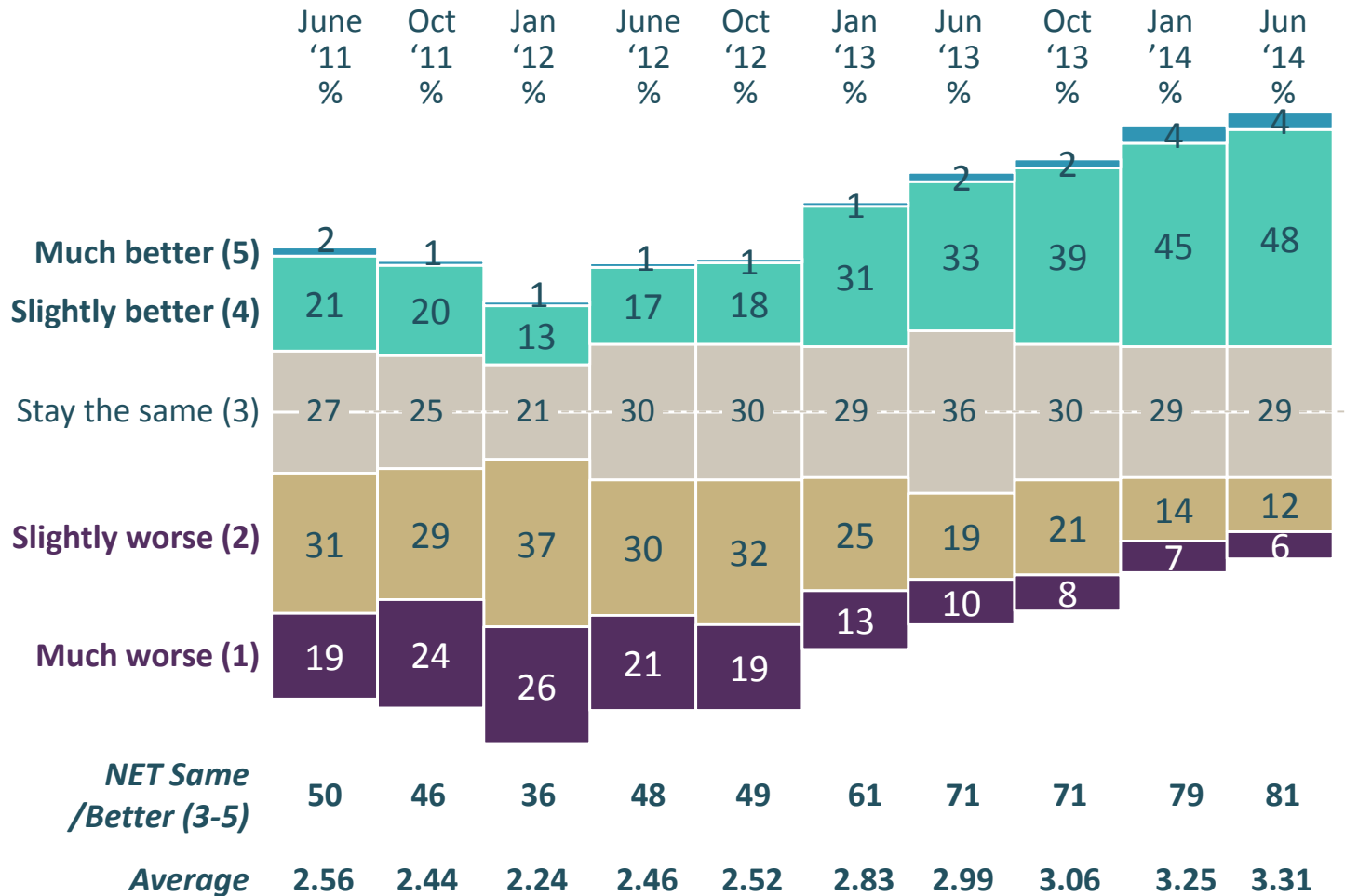
% NET Better/Same  
(next 6 months)



We see further gains in consumer outlook for the Irish economy since January with more than half now believing that the economy will fare better in the next 6 months.

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# How do you expect the Irish economy to fare in the next 6 months?

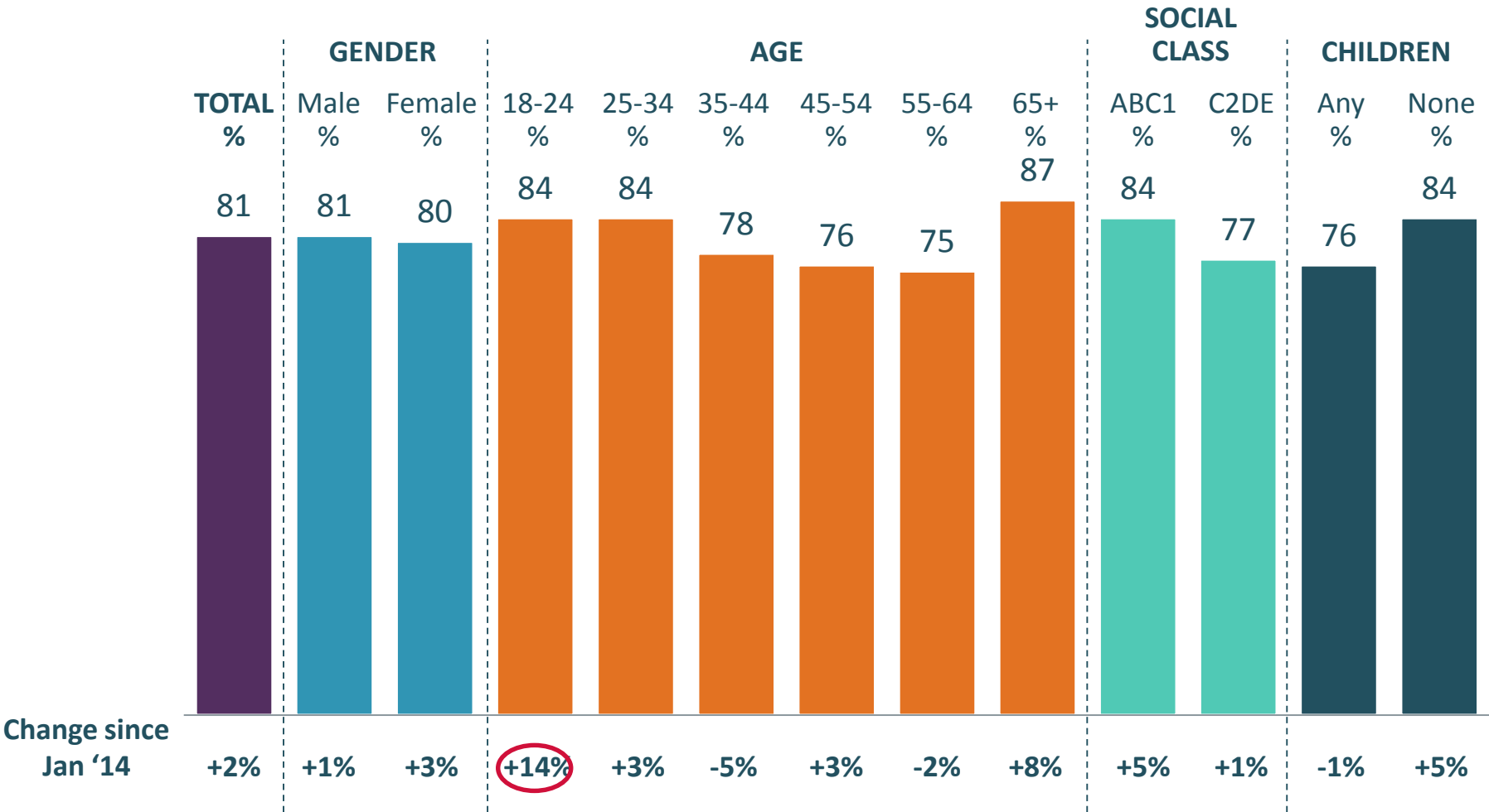


✓ More than half believe the Irish economy will fare better in the next 6 months – this is up from January.

✓ Less than 1 in 5 believe the economy will fare worse in the coming 6 months.

# Expectations for the Irish economy 6 months from now

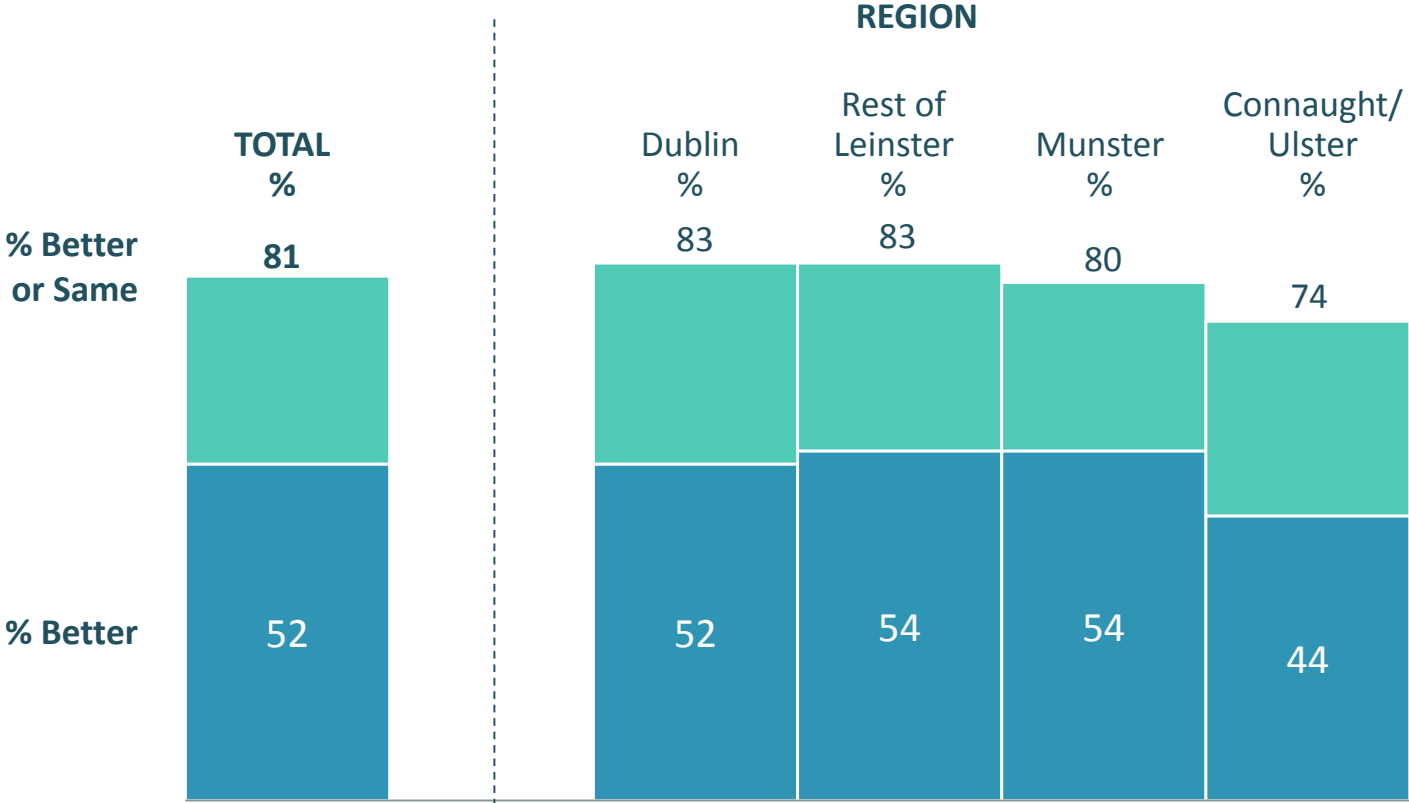
% Stating they believe it will be the same or better



All demographic groups have a positive outlook but the 35-64 year olds are slightly less positive compared to the rest of the population.



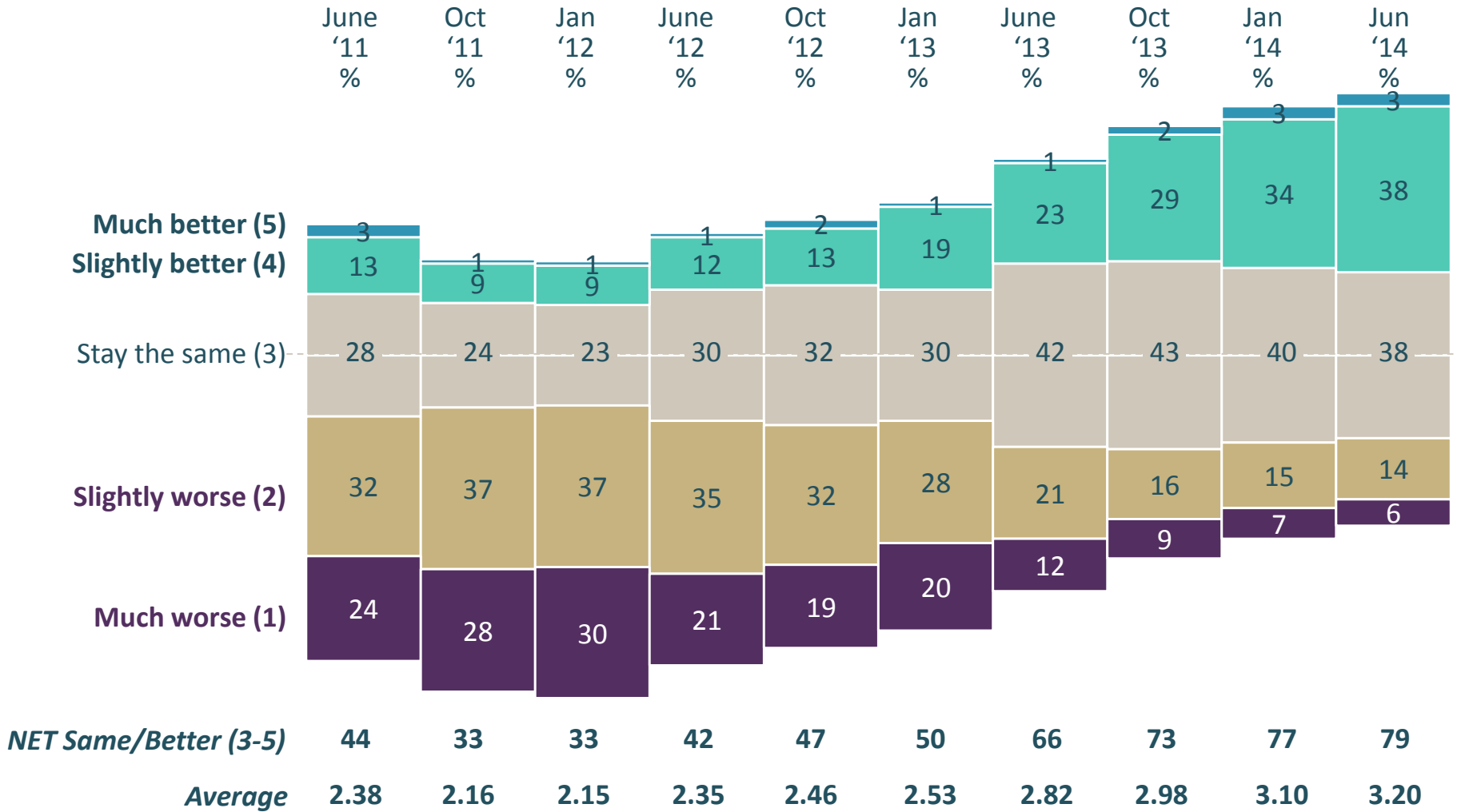
# People living in Connaught/Ulster are less positive about the future of the Irish economy...



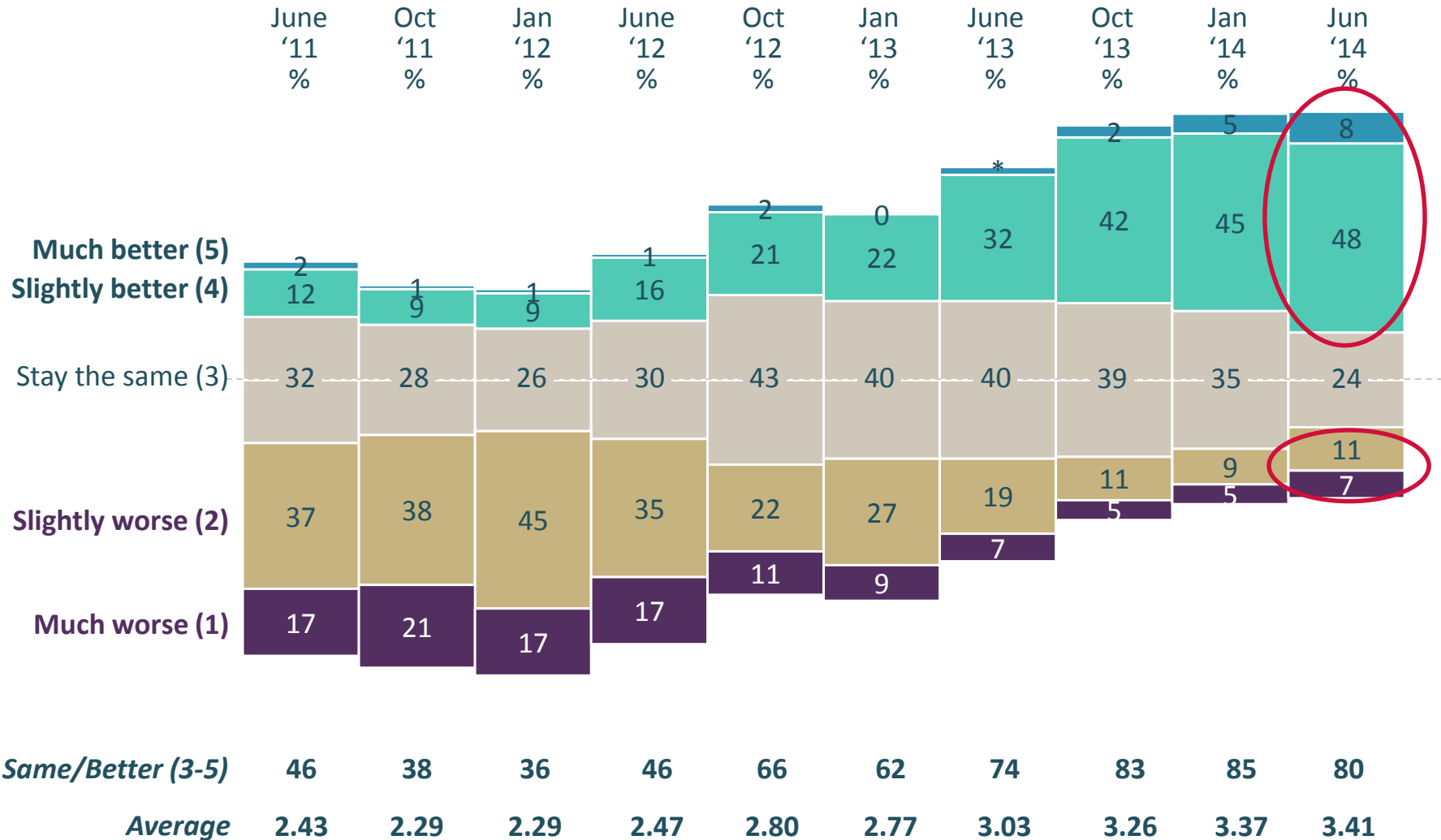


**Future outlook has also improved for the job and housing market and for the World Economy**

# How do you expect the Job market to fare in the next 6 months?



# How do you expect the Housing market to fare in the next 6 months?

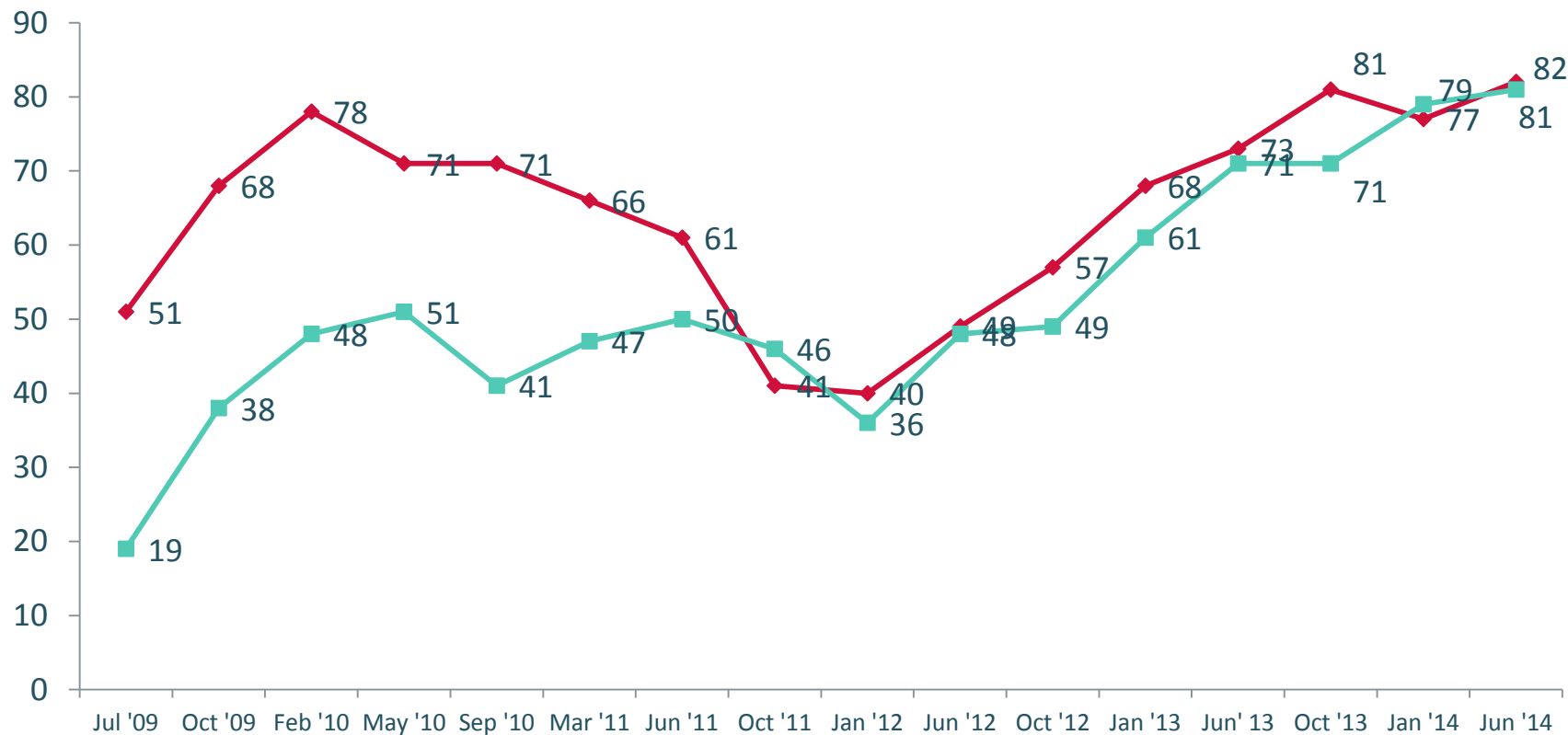


We see an increase in the proportion who feels the housing market will fare better but also an increase in those who feel it will fare worse – this indicates that there are some concern about another property bubble.

# Expectations to the World Economy

% NET Better/Same  
(next 6 months)

World Economy Irish Economy

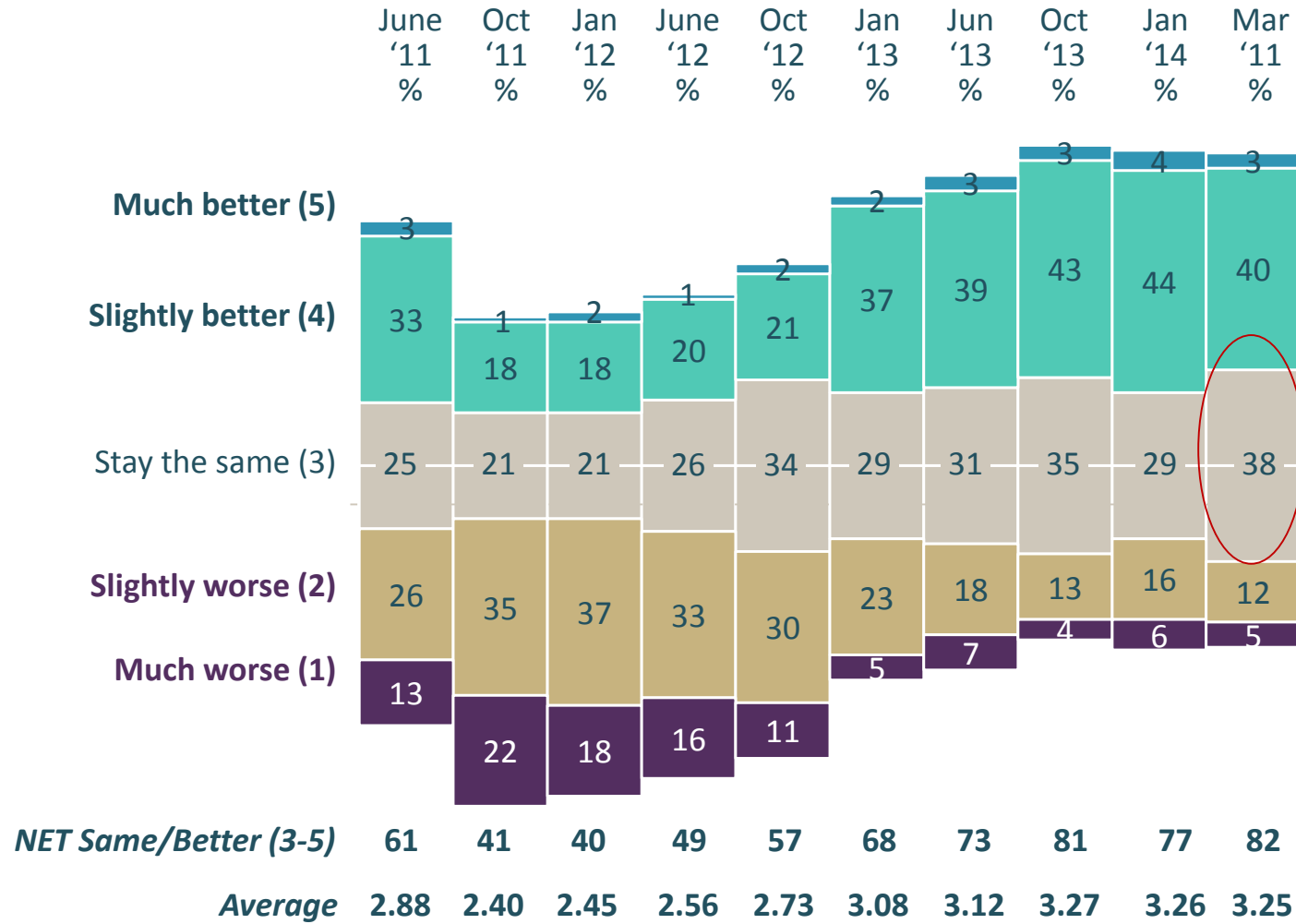


Outlook for World economy has improved after the slight decrease in seen back in January.





# How do you expect the World economy to fare in the next 6 months?

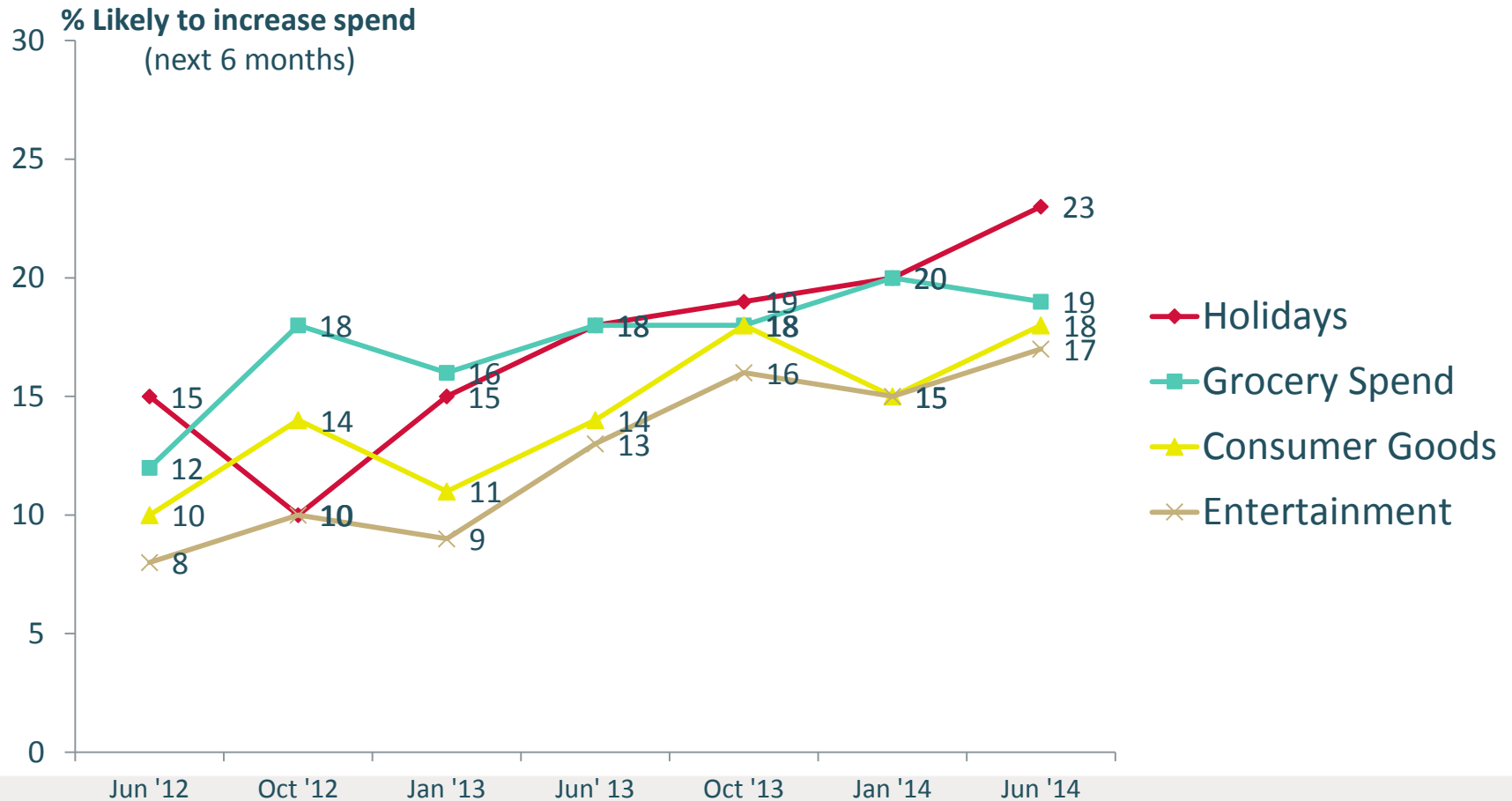


✗ Outlook for the World economy is lower than outlook for Ireland with 2 in 5 expecting no change in World economy

**Future spend intentions have increased for holidays, consumer goods and entertainment**



# Spend intention is up for all categories except groceries, but remains at just 20% of the population



Almost 1 in 4 expect to increase spend on holidays with 1 in 5 expecting increased spend on consumer goods or entertainment.

# Expected Changes In Spend Over The Next 6 Months



Entertainment such as going out, eating, drinking or socialising



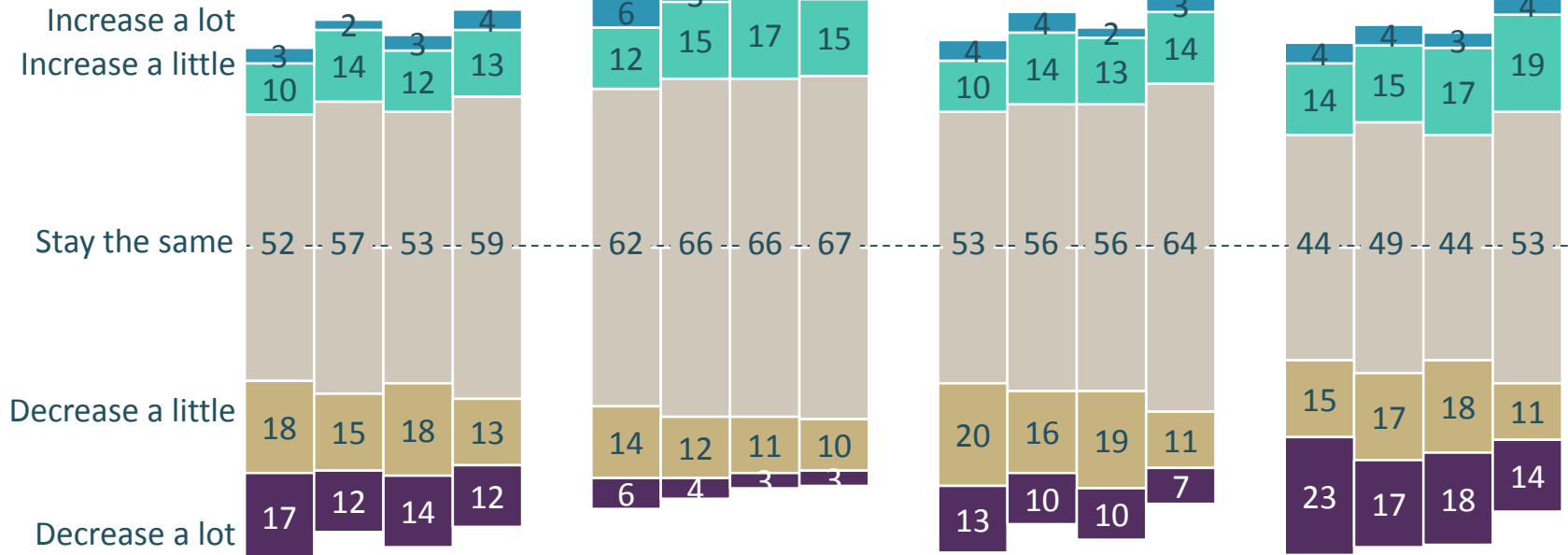
Grocery spend



Consumer goods and services – e.g. hairdresser, clothes, mobile phone, gaming etc.



Holidays and short breaks



The biggest change since January is considerable higher spending intent for holidays and short breaks.



# 18-34 year olds have higher spend intention than the rest of the population, but have less income generally.



% Likely to increase spend in next 6 months	Entertainment	Grocery Spend	Consumer Goods/ Services	Holidays/ Shorter Breaks
<b>Total</b>	<b>17</b>	<b>19</b>	<b>18</b>	<b>23</b>
<b>Gender</b>				
Male	22	20	18	27
Female	12	18	17	18
<b>Age</b>				
18-24	27	26	28	35
25-34	25	21	18	28
35-44	19	19	18	19
45-54	12	20	17	22
55-64	11	13	13	17
65+	6	17	13	17
<b>Social Class</b>				
ABC1	18	17	15	20
C2DE	16	22	20	25
<b>Region</b>				
Dublin	22	20	21	24
Rest of Leinster	17	17	19	24
Munster	17	21	16	22
Connaught/Ulster	8	18	13	19



## Commentary: Debt and Commitments Impede a Consumer Led Recovery - I



The RED C Consumer Mood poll, at a topline level appears to tell the story of continued improving consumer confidence, in line with other consumer confidence indexes. This is highlighted by the belief among over two thirds of consumers (69%) that an economic recovery in Ireland is underway. It is further emphasised by the fact that the proportion of consumers that believe the economy in Ireland will further improve in the next six month also increases again this month.

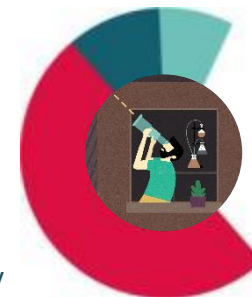
The disconnect however for many of our commercial clients and the state of the economy as whole is the fact that, despite what appears to be improving consumer confidence and belief that the recovery is well underway, we are not yet seeing a significant recovery in terms of actual increased consumer spending.

Further evaluation of the forces behind consumer sentiment in this poll helps to explain this disconnect. Despite the majority believing that a recovery is happening, their current financial situation and the impact the recovery is having on them personally is very different. In fact it is clear that at present Ireland has a two tier economy, both in terms of consumers being able to cope with their current financial situation and also in terms of possible future spending.

Currently only just under a third (31%) of all consumers claim to be living comfortably, despite improved consumer confidence, and at the same time a similarly large proportion (28%) are still struggling to make ends meet. The remainder (41%) are only stable, being neither struggling nor comfortable. With over two thirds (69%) of all consumers therefore not living comfortably, the opportunity or expectation for increased future consumer spending appears limited. This two tier economic reality in Ireland is holding back a consumer led spend recovery, and helps to explain improved confidence but as yet reluctance to spend.

It is the squeezed middle who are still most likely to be struggling. Those consumers in 35-54 year old age groups, generally with kids and mortgages are experiencing most difficulty in making ends meet. Those in difficulty are more likely to come from more downmarket groups, but are not exclusively so. The reality is that this new divide is not one between rich and poor, but rather between those with or those without debt and financial commitments (such as children, mortgages etc). That is why those in the youngest and the oldest age groups are least likely to be struggling.

## Commentary: Debt and Commitments Impede a Consumer Led Recovery - II



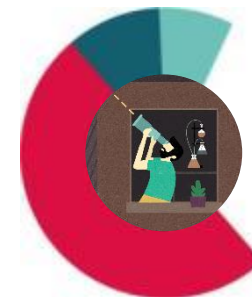
The disconnect between a belief that a recovery is in action, and what impact that has on consumer spending, is further exacerbated when we ask consumers if the recovery is benefiting them personally. Only 38% of all consumers feel that the recovery is benefitting them personally, which is just half of those that believe the recovery is underway.

Once again it is those with less debt and commitments who are more likely to believe that the recovery is benefiting them. This perhaps shouldn't come as surprise for those in the youngest age groups, as the recovery appears to be being built on improved job availability, rather than any easing of the tax or debt burden experienced by those in older age groups. At the same time less than a third of those aged 35-54 feel the recovery is benefitting them. With no sign of debt relief and more taxes on the horizon, and with businesses still far too cautious to be looking at pay increases, why would we expect this group to be able to spend more, whatever economic recovery we are in?

When we cross analyse the current financial situation with potential future benefits from recovery, it is clear that a third of the population see no light at the end of the tunnel. Those suffering can be further split into three groups, the first of which we have described as the "Desperate". They make up 14% of all consumers, are struggling financially and do not see any evidence of an economic recovery at all. The second group are the "Hard Done By" who make up 9% of consumers, they are also struggling, but they recognise a recovery is happening, but are not benefitting themselves. The final struggling group are the "Resigned", who make up 10% of all consumers. They are not struggling but neither comfortable, and see no recovery taking place. Consumers in these three groups are far more likely to be in mid-life stage with families and mortgages, with the "Desperate" group also more likely to be more downmarket.

At the other end of the scale are those in more positive situation, with 9% who are "Stable" as they do not feel they are benefiting personally from the recovery, but remain comfortable. This group is much more likely to be made up of Empty Nesters or Twilights. A further 15% are "Improving", they are not currently comfortable, but do see that the recovery is benefitting them personally. They are more likely to come from early lifestages, where opportunity still exists. Finally there are those "Doing Well", who are comfortable and see that the recovery is benefitting them personally, made up of both younger and later lifestages.

## Commentary: Debt and Commitments Impede a Consumer Led Recovery - III



When asked directly why people remain cautious despite claimed economic recovery, the fear for jobs and redundancy remain the key concerns. This is followed by a lack of trust in politicians, perhaps borne out from several false dawns in the past during the recession. The third major impact on consumer uncertainty revolves around higher and increasing costs/bills and the threat of further taxation, which certainly became the focus for many during the recent European and Local elections, with water charges at the top of the agenda.

Despite the apparent divide economically in Ireland, the poll did still show positive trends in terms of claimed future spending, as those who are benefitting suggest they will spend more on entertainment, consumer goods and particularly holidays. But those who suggest they will spend more remains limited to 20% of the population, and tend to be those in younger or older age groups with less disposable income. As such, any increased spend from these groups has a lessor effect on the Irish economy overall.

Until a larger numbers of consumers can be further released from the pressure they are under from debt burdens and taxation, and helped to make ends meet, a consumer led spending economic recovery appears to be some way off at the moment.

Article written for the Sunday Business Post by

Richard Colwell  
RED C Research  
CEO



REDC



# Methodology

- / 1,004 telephone interviews (CATI) were conducted using a random digit dial sample to ensure coverage of all households, including ex-directory.
- / Quotas were set and data weighted to ensure a nationally representative sample of the population aged 18+ years.
- / This is the 20<sup>th</sup> wave of the consumer confidence tracker – fieldwork was conducted 23<sup>rd</sup>-25<sup>th</sup> June 2014.
- / This wave was conducted in conjunction with The Sunday Business Post, and we would like to thank them for use of 2 questions in this report.



**THANK  
YOU**

**REDC**